

CONSUMER: Lodging

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**Reasons for this report**

✓ Our analysis of the most recent weekly China and Europe lodging results

**Int'l hotels' RevPAR last week: China +46% y/y (-3% vs 2019), Europe +8% y/y (+20% vs 2019).**

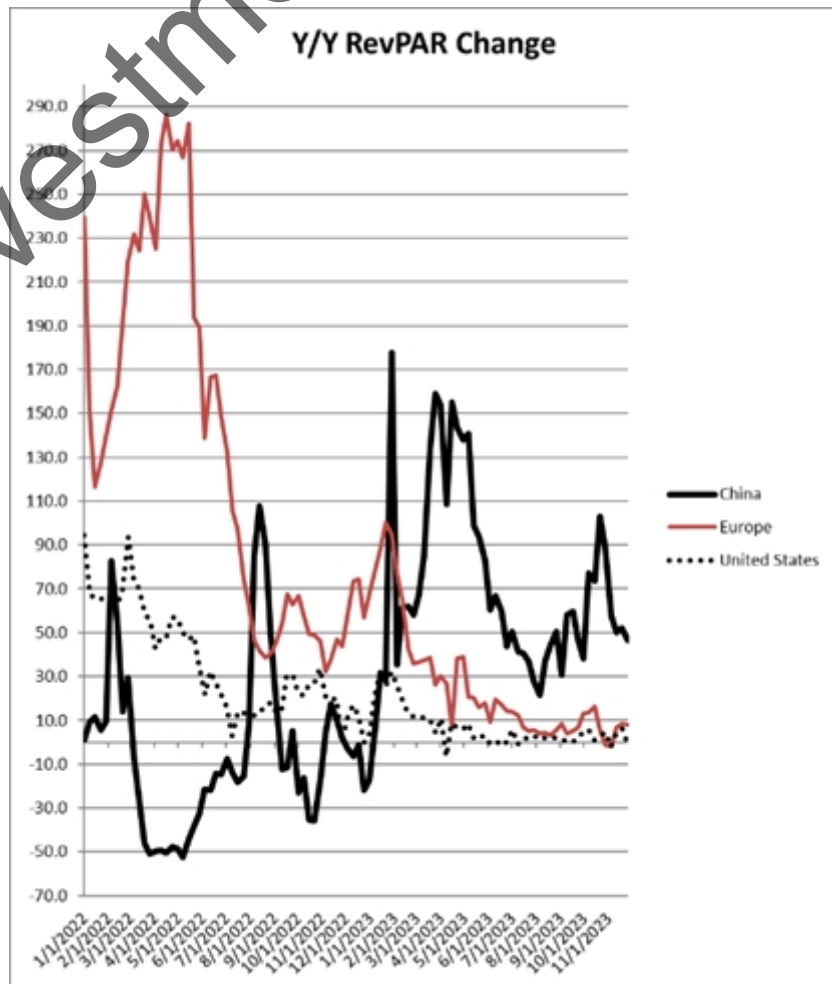
**China:** Per STR for the week ending November 25th, hotel RevPAR in China in local currency was +46.5% y/y vs. +52.0% y/y in the prior week. Last week's RevPAR was up against a +2.2% y/y comparable result in 2022 and vs. +9.8% in the prior week. Versus 2019, RevPAR was -2.8%, above the -5.9% in the prior week's result.

**Europe:** RevPAR in Euros was +7.9% y/y vs. +8.2% in the prior week. Last week's RevPAR was up against a +43.6% comparable result in 2022 and +46.8% in the prior week. Versus 2019, RevPAR was +19.6%, below the +23.8% in the prior week.

**Overall U.S. RevPAR was -0.6% y/y, below the prior week's result of +6.3%, and below the trailing 10-week average of +2.9%.** Versus 2019, RevPAR was +18.7%, below the prior week's result of +27.2%, and above the trailing 10-week average of +18.6%.

- Last week included Thanksgiving in the 2019 and 2022 comparisons as well as 2023; last week was a clean comp. We view results negatively impacted by the higher mix of the relatively underperforming leisure segment, particularly reflected in Economy RevPAR (-5.9% y/y), Resort (-0.6%), and Luxury ADR (-5.1%).

Exhibit 1: Y/Y RevPAR Change for China, Europe, US



Source: STR, Truist Securities Research

**RevPAR detail for week ending November 25th vs. trailing 28 days (see charts at end of note for graphical representations):**

China (local currency):

- RevPAR was +46.5% y/y for the week ending November 25th, **lower than** the +50.5% for the trailing 28 days.
- ADR was +15.6% y/y for the week ending November 25th, **lower than** the +17.6% for the trailing 28 days.
- Occupancy was +26.7% y/y for the week ending November 25th, **lower than** the +28.0% for the trailing 28 days.

Europe (in Euros):

- RevPAR was +7.9% y/y for the week ending November 25th, **higher than** the +5.2% for the trailing 28 days.
- ADR was +4.3% y/y for the week ending November 25th, **higher than** the +3.6% for the trailing 28 days.
- Occupancy was +3.4% y/y for the week ending November 25th, **higher than** the +1.5% for the trailing 28 days.

**EBITDA and rooms exposure by region:**

**EBITDA: Hyatt (H, Buy), InterContinental (IHG, NR), and Marriott (MAR, Hold) are among the Lodging C-corps that have the greatest exposure to Europe and Asia.** From Europe, MAR generates approximately 15% of EBITDA, IHG 15%, Wyndham (WH, Buy) less than 5%, H roughly 5%, and Hilton (HLT, Hold) 10% each. Of these companies, H and MAR have the greatest exposure to Asia (~10-20% of EBITDA). HLT is approximately 10%. Each of the other companies generates 5% to 10% of EBITDA from the Asia-Pacific region. Following the Apple Leisure Group acquisition, H has a relatively high ~25% exposure to the Americas ex-US/Canada.

- In a normalized environment, Greater China inclusive of Macau and Hong Kong generally represents half of the Asia-Pacific EBITDA from the C-corps.

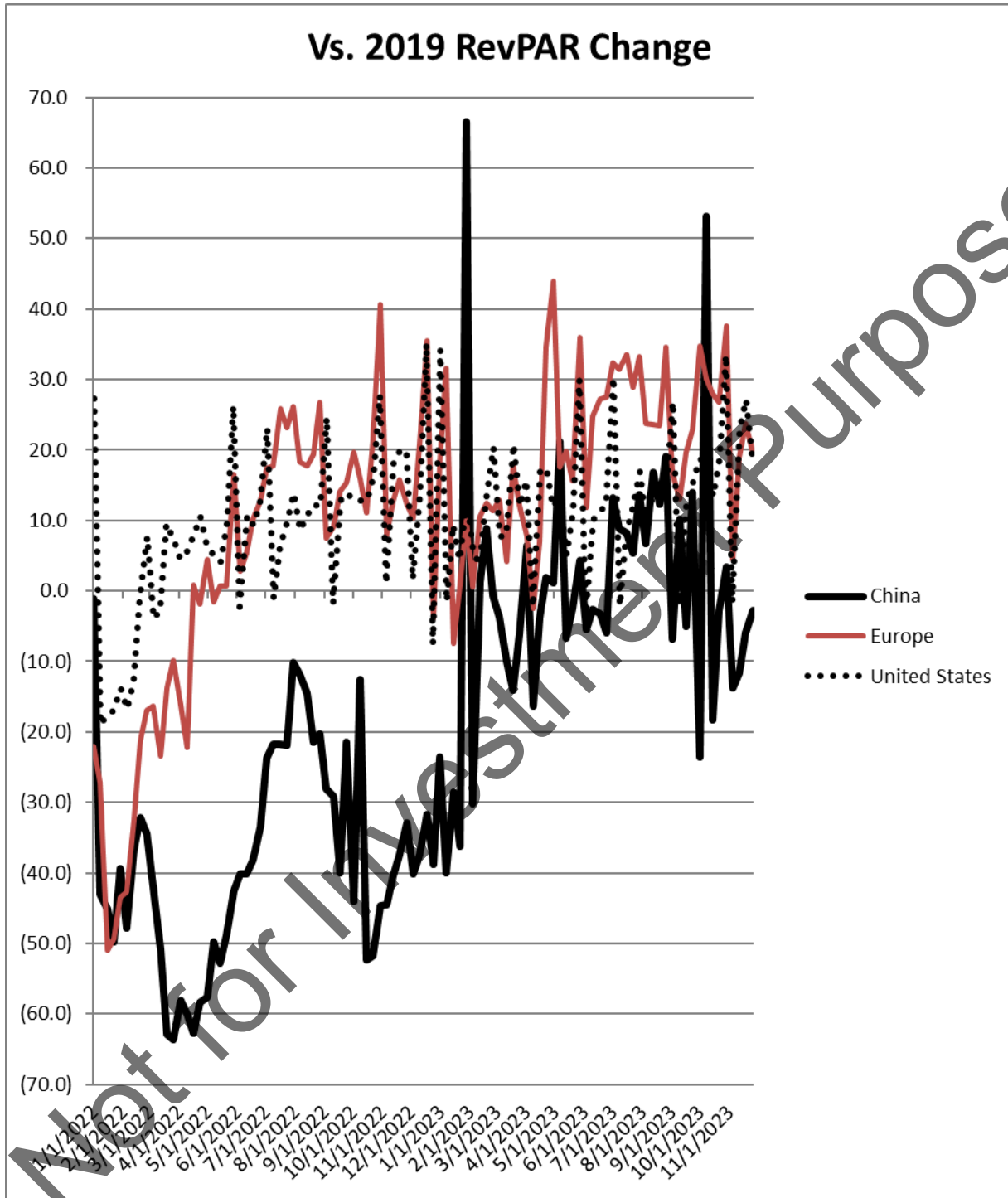
**Rooms (as of 4Q21; figures may not round to 100%):**

- CHH:
  - Domestic: 79%
  - Asia-Pacific: 4%
  - Europe/Middle East: 9%
  - Latin America & Canada: 8%
- H (includes owned/leased hotels):
  - Americas ex-all inclusives: 57%
  - Asia-Pacific: 18%
  - Europe/Africa/Mid East/SW Asia ex-all inclusives: 12%
  - Americas ALG + Ziva/Zilara: 9%
  - Europe ALG: 4%
- HLT:
  - US: 70%
  - Americas: 6%
  - Europe: 9%
  - Middle East/Africa: 3%
  - Asia Pacific: 12%
  - Other hotels, likely to be converted to a brand, with no geography noted: 0.3%
- IHG:
  - Americas: 57%
  - EMEAA: 25%
  - Greater China: 18%
- MAR (ex-timeshare):
  - North America: 65%
  - Europe: 9%
  - Middle East/Africa: 4%
  - Asia Pacific: 18%
  - Caribbean/Latin America ("CALA"): 4%
- WH:
  - US: 61%

- Canada: 5%
  - Greater China: 19%
  - Rest of Asia: 4%
  - Europe/Middle East/Africa: 8%
  - Latin America: 4%
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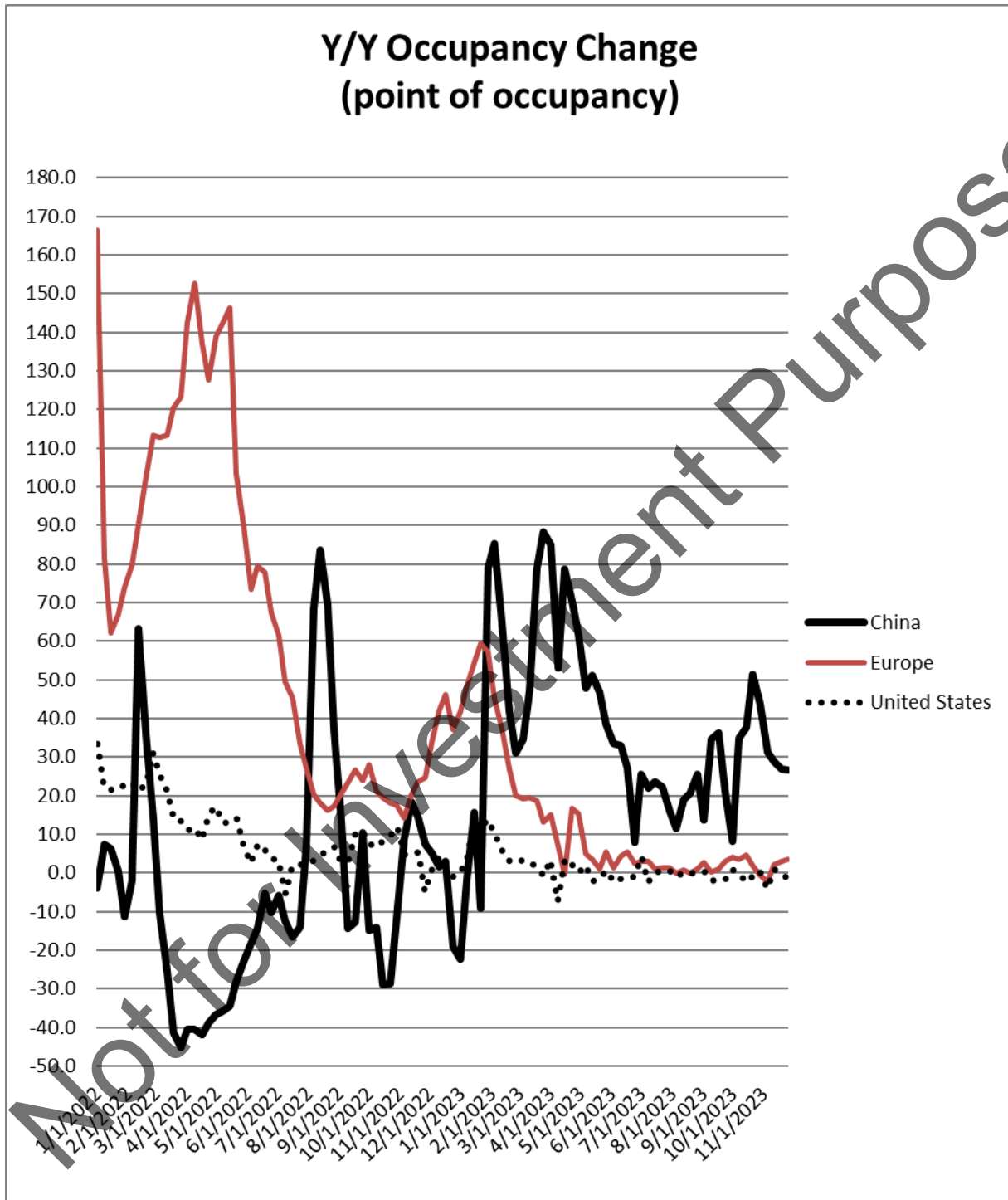
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Exhibit 2: Vs. 2019 RevPAR change for China, Europe, US



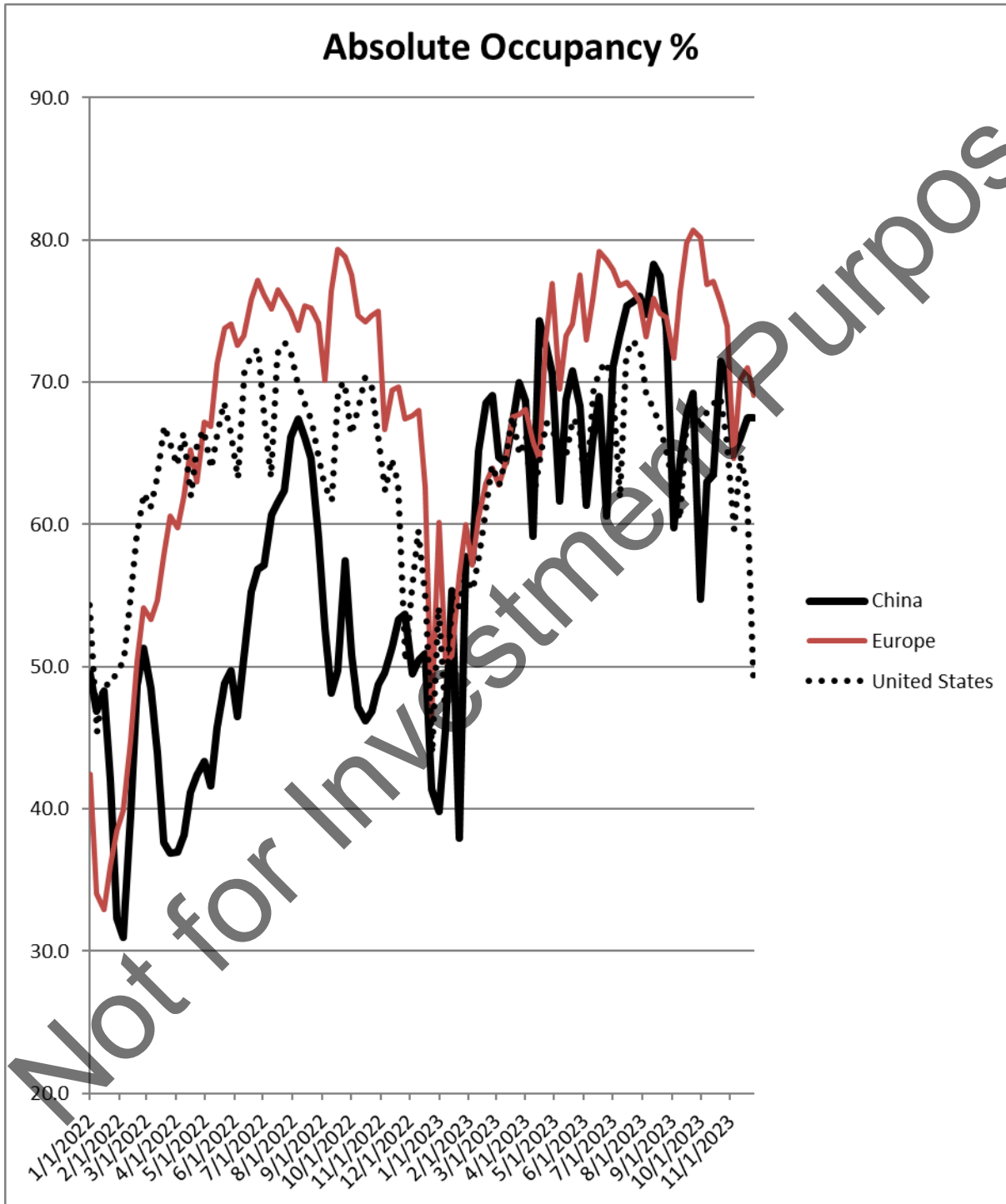
Source: STR, Truist Securities research

Exhibit 3: Y/Y Occupancy change for China, Europe, US



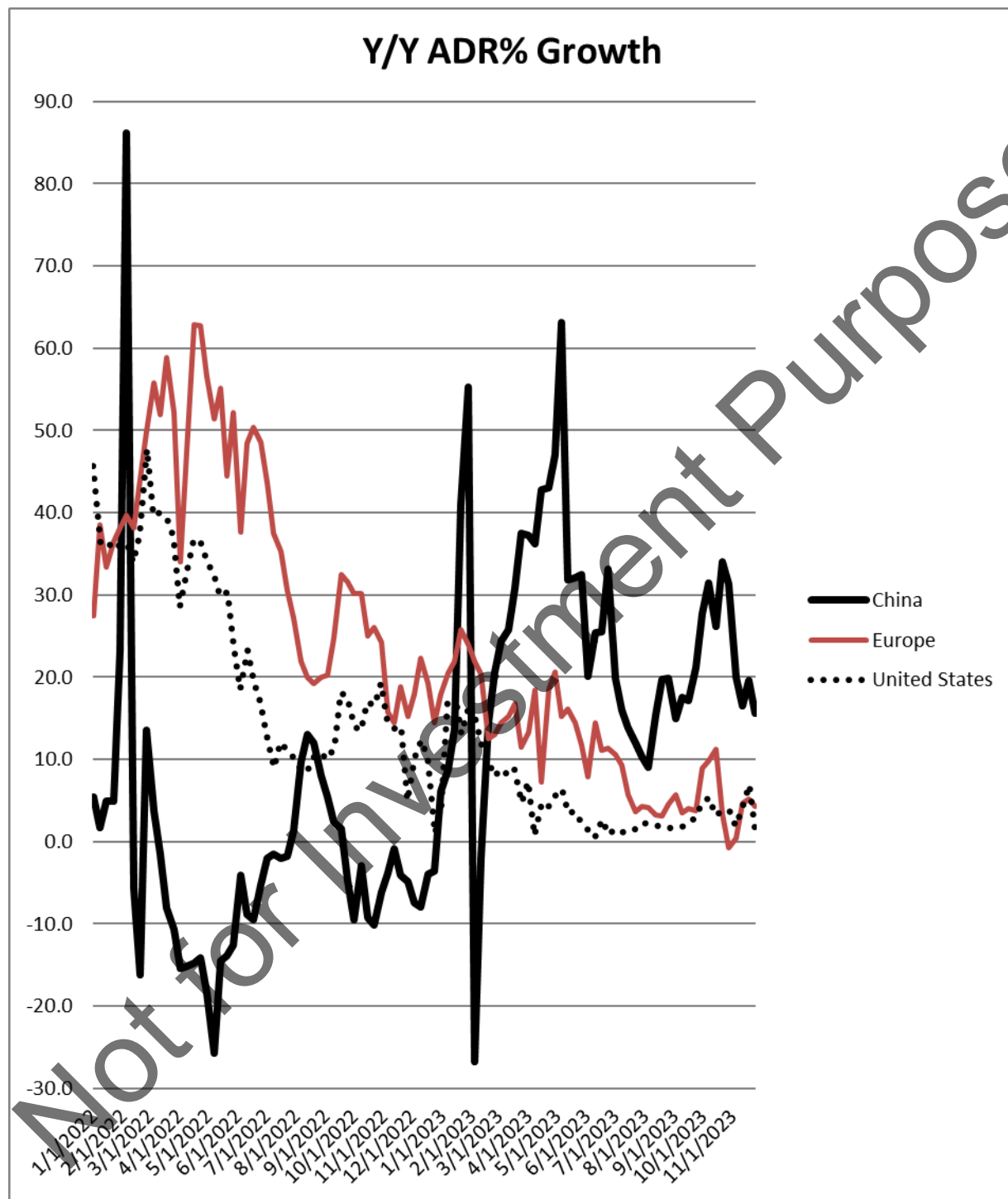
Source: STR, Truist Securities research

Exhibit 4: Absolute Occupancy % for China, Europe, US



Source: STR, Truist Securities research

Exhibit 5: Y/Y ADR % change for China, Europe, US



Source: STR, Truist Securities research

**H: Valuation and Risks**

Our price target of \$143 is derived by applying a 14.2x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2024 EBITDA. Our sum-of-the-parts analysis on our 2024 segment multiple assumptions include (12.5x owned EBITDA u/c, 16x fees EBITDA u/c) and other segments/ALG (10-12x, u/c).

Risks to our rating and price target: Lodging recovery takes longer than expected. Planned dispositions take longer than expected. Material labor issues to owned hotels. Regional risks to the Caribbean including material new competitive supply growth. H pipeline growth slower than expected. Apple Leisure Group underperforms Hyatt's guidance.

**MAR: Valuation and Risks**

Our \$221 price target is based on a 16.7x blended multiple on our 2024E EBITDA. In the parts, we assign a 13.0x multiple of EBITDA to the Owned segment and 17.0x fees EBITDA (the fees EBITDA also includes credit card branding fees, a 10x multiple business) to the managed/franchised business. The multiple is towards the higher end of the historical range of 9-18x.

Risks to our rating and price target:

Upside Risks: Significant U.S macroeconomic improvement results in large recovery in transient corporate and group/convention demand. Owned assets sell for premium prices relative to MAR expectations. Supply growth is stronger than expectations. Consolidation in the lodging industry benefits MAR.

Downside Risks: Deep macroeconomic recession. Geopolitical, inflation, and policy risks negatively impact lodging demand. Inability to grow pipeline in line with Street expectations.

**WH: Valuation and Risks**

Our price target of \$94 for WH is based on a 15.0x multiple (in line with portfolio quality/RevPAR relative to peers) of our 2024 EBITDA estimate.

Risks to our rating and price target: Slowdown in development opportunities. Macro demand/pipeline headwinds.

**CHH: Valuation and Risks**

Our price target of \$143 for CHH is derived by applying a 15.0x target EV/EBITDA multiple (slightly above industry average) to our estimate for 2024 EBITDA.

Risks to our rating and price target include: Upside risks: conservative guidance, if the economy performs better than expected. Downside risks: slowdown in development opportunities, rising construction costs, the COVID-19 pandemic and its effects on the lodging industry, and newly created brands grow slower than expectations.

**HLT: Valuation and Risks**

We apply a blended multiple of 16.7x (11.5x for Owned/leased and 17.0x for Managed/franchised) to our 2024 adjusted EBITDA estimate to derive a price target of \$175. This multiple is above the high end of the historical range of 10x-16x which we view as appropriate based on current trading fundamentals/flight to quality consumer stocks.

Risks to our rating and price target:

Upside risks include: Higher than expected pipeline growth, material RevPAR growth (macroeconomic improvement beyond expectations), material market share gains.

Downside risks include: Growth trajectory could disappoint. Pipeline growth could either slow down or projects scheduled for construction could be canceled, which would diminish system growth for the firm and disappoint investors.

**Companies Mentioned in This Note**

**Choice Hotels International, Inc.** (CHH, \$110.16, Hold, C. Patrick Scholes)

**Hyatt Hotels Corporation** (H, \$113.81, Buy, C. Patrick Scholes)

**Hilton Worldwide Holdings Inc.** (HLT, \$166.66, Hold, C. Patrick Scholes)

**Marriott International, Inc.** (MAR, \$202.48, Hold, C. Patrick Scholes)

**Wyndham Hotels & Resorts, Inc.** (WH, \$77.35, Buy, C. Patrick Scholes)

InterContinental (IHG, Not Rated)

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I, C. Patrick Scholes , hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

I, Gregory J. Miller , hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.



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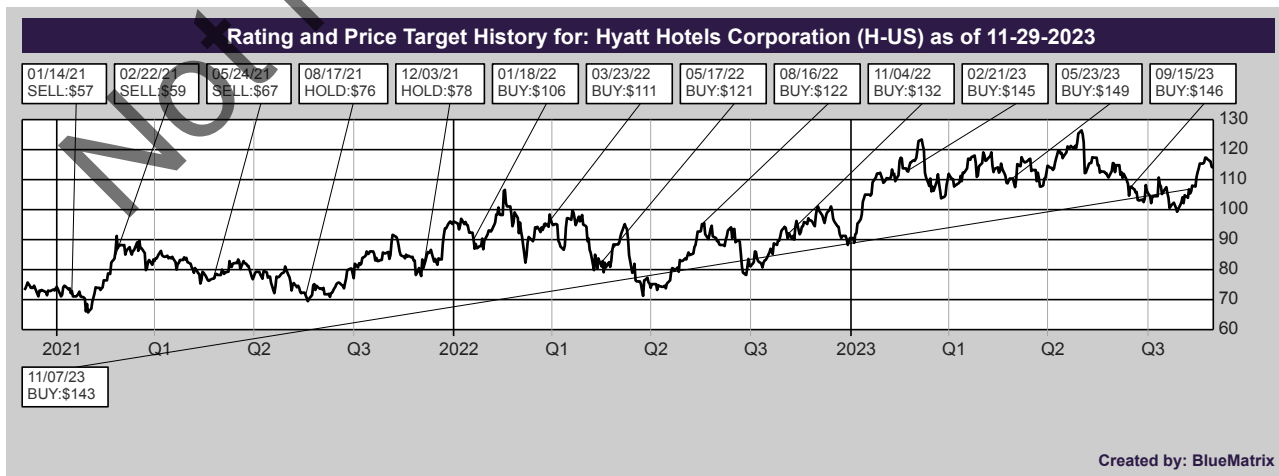
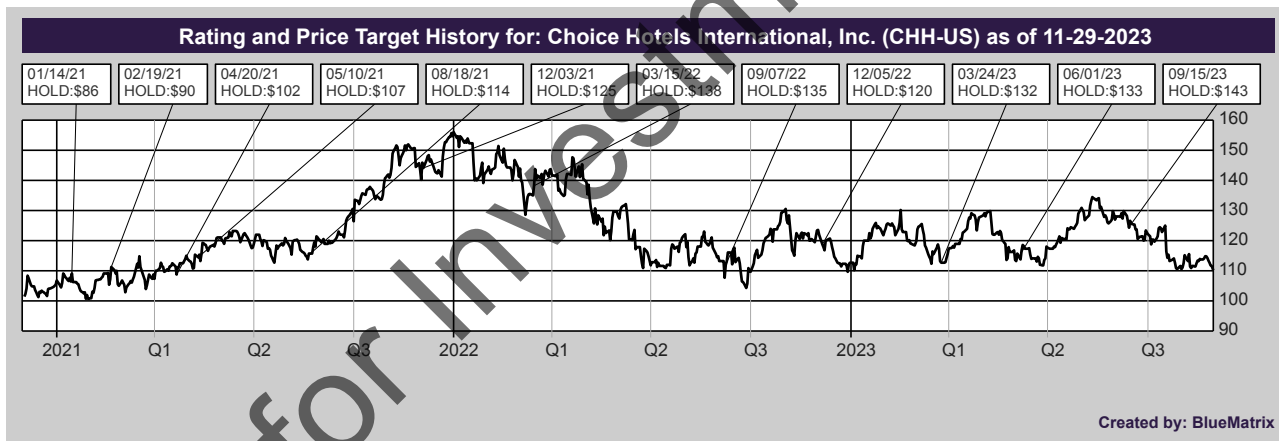
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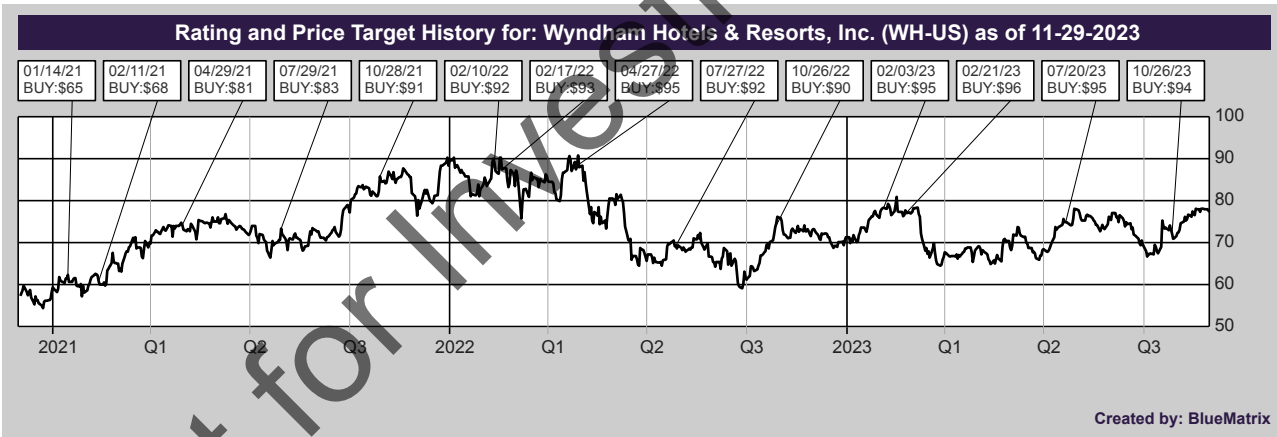
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